

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6076

BILL NUMBER: SB 113

NOTE PREPARED: Nov 4, 2004

BILL AMENDED:

SUBJECT: Excise Police and Conservation Officer Pensions.

FIRST AUTHOR: Sen. Meeks

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (A) This bill modifies the eligibility for and the calculation of retirement benefits under the Excise Police and Conservation Enforcement Officers' Retirement Plan (Plan). (B) It requires the Board of Trustees of the Public Employees' Retirement Fund to make recommendations to the Pension Management Oversight Commission (PMOC) for implementing a deferred retirement option plan (DROP) for plan participants.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill modifies the eligibility for and the calculation of retirement benefits under the Excise Police and Conservation Enforcement Officers' Retirement Plan in two ways. The bill (A) removes the age 55 requirement for the Rule of 85 eligibility and begins a 3% early retirement reduction from the earlier of age 60 or the Rule of 85 and (B) changes the benefit formula to 25% of the average salary plus an additional 1 2/3% of average salary for each year of service in excess of ten years. The estimated total impact is the following.

Increase in Actuarial Liability	\$3,726,000
Increase in Annual Funding	\$389,000
Increase in Annual Funding as % of Payroll	3.3%

The funds affected are the state General Fund, the state Fish and Wildlife Fund for the Conservation Officers, and the ABC Fund for the Excise Officers.

The bill also requires the Board of Trustees of the Public Employees' Retirement Fund to make recommendations to the Pension Management Oversight Commission for implementing a deferred retirement option plan for plan participants.

Background Information: The bill modifies the eligibility for and the calculation of retirement benefits under the Excise Police and Conservation Enforcement Officers' Retirement Plan in two ways. The total impact is provided above. The impact of each provision separately is provided below.

(A) Part 1 removes the age 55 requirement for the Rule of 85 eligibility and begins a 3% early retirement reduction from the earlier of age 60 or the Rule of 85. The estimated impact for this provision appears below.

Increase in Actuarial Liability	\$808,000
Increase in Annual Funding	\$101,000
Increase in Annual Funding as % of Payroll	0.9%

(B) The second provision changes the benefit formula to 25% of the average salary plus an additional 1 2/3% of average salary for each year of service in excess of ten years. The estimated impact for this provision appears below.

Increase in Actuarial Liability	\$2,891,000
Increase in Annual Funding	\$288,000
Increase in Annual Funding as % of Payroll	2.4%

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Conservation and Excise Officers Pension Plan; Department of Natural Resources; Alcohol and Tobacco Commission.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the Conservation and Excise Officers' Plan, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS: Actuarial Liability: The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Deferred Retirement Option Plan An optional payment form under which defined benefits plans that allows a participant elect to receive a lump sum in exchange for a reduced monthly benefit for life.

Funding: a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.